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# HOUSE BILL No. 1524

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 6-3.1-20

**Synopsis:** Student loan tax credit. Creates an income tax credit for employees of the state of Indiana or a political subdivision who pay interest on educational loans. Provides that the tax credit may equal up to 50% of the loan interest paid by the employee in a taxable year. Provides that the employee may carry over excess credit to succeeding taxable years.

**Effective:** January 1, 2002.

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### Kuzman

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January 11, 2001, read first time and referred to Committee on Ways and Means.

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Introduced

First Regular Session 112th General Assembly (2001)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2000 General Assembly.

## HOUSE BILL No. 1524

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

*Be it enacted by the General Assembly of the State of Indiana:*

1 SECTION 1. IC 6-3.1-20 IS ADDED TO THE INDIANA CODE  
2 AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE  
3 JANUARY 1, 2002]:

4 **Chapter 20. Educational Loan Interest Credit**

5 **Sec. 1. As used in this chapter, "educational loan" means a loan**  
6 **issued under the program established under IC 20-12-21.1.**

7 **Sec. 2. As used in this chapter, "employee" means an individual**  
8 **taxpayer who is employed full time or part time by the state or a**  
9 **political subdivision.**

10 **Sec. 3. As used in this chapter, "political subdivision" means a**  
11 **city, county, municipal corporation, special taxing district, town,**  
12 **township, or other separate local governmental entity that may sue**  
13 **and be sued.**

14 **Sec. 4. As used in this chapter, "state" means the state of**  
15 **Indiana and includes a state agency.**

16 **Sec. 5. As used in this chapter, "state agency" means a board,**  
17 **branch, bureau, commission, committee, council, department,**

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1 division, office, or other instrumentality of the executive,  
 2 legislative, or judicial branch of state government. The term does  
 3 not include a political subdivision of the state.

4 **Sec. 6.** As used in this chapter, "state income tax liability"  
 5 means a taxpayer's total income tax liability incurred under  
 6 IC 6-2.1 and IC 6-3 and computed after application of credits that,  
 7 under IC 6-3.1-1-2, are to be applied before the credit provided by  
 8 this chapter.

9 **Sec. 7.** Subject to the limitations and requirements set forth in  
 10 sections 9 and 10 of this chapter, an employee who has:

- 11 (1) incurred state income tax liability; and
- 12 (2) paid interest on an educational loan;

13 in a taxable year is entitled to a credit against the employee's state  
 14 income tax liability as provided in section 8 of this chapter.

15 **Sec. 8. (a)** A full-time employee who is employed for a full  
 16 taxable year is entitled to a credit for a taxable year equal to fifty  
 17 percent (50%) of the interest paid by the employee on an  
 18 educational loan in that taxable year.

19 **(b)** An employee who is employed part time or for less than a  
 20 full taxable year is entitled to a prorated credit equal to fifty  
 21 percent (50%) of the interest paid by the employee on an  
 22 educational loan multiplied by one (1) of the following percentages:

23 (1) In the case of a part-time employee who is employed for a  
 24 full taxable year, the number of hours per day worked by the  
 25 part-time employee divided by the number of hours per day  
 26 worked by a full-time employee.

27 (2) In the case of a full-time employee who is employed for less  
 28 than a full taxable year, the number of days worked by the  
 29 full-time employee in the taxable year divided by the number  
 30 of work days in the full taxable year.

31 (3) In the case of a part-time employee who is employed for  
 32 less than a full taxable year:

33 (A) the number of hours per day worked by the part-time  
 34 employee divided by the number of hours worked per day  
 35 by a full-time employee, multiplied by:

36 (B) the number of days worked by the employee in the  
 37 taxable year divided by the number of work days in the full  
 38 taxable year.

39 **Sec. 9. (a)** If the credit determined under section 8 of this  
 40 chapter for a particular employee and a particular taxable year  
 41 exceeds the employee's state income tax liability for that taxable  
 42 year, the employee may carry over the excess credit to the

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1 immediately succeeding taxable years. Each time the excess credit  
2 is carried over to a succeeding taxable year, it is to be reduced by  
3 the amount that was used as a credit during the immediately  
4 preceding taxable year. The credit provided by this chapter may  
5 not be used for any taxable year that begins more than ten (10)  
6 years after the date on which the employee begins paying interest  
7 on the educational loan.

8 (b) A credit earned by an employee in a particular taxable year  
9 shall be applied against the employee's state income tax liability for  
10 that taxable year before any credit carryover is applied against  
11 that liability under subsection (a).

12 (c) An employee is not entitled to any carryback or refund of  
13 any unused credit.

14 Sec. 10. To receive the credit provided by this chapter, an  
15 employee must claim the credit on the employee's annual state tax  
16 return or returns in the manner prescribed by the department. The  
17 employee shall submit to the department all information that the  
18 department determines is necessary for the calculation of the credit  
19 provided by this chapter and for the determination of whether a  
20 loan is an educational loan.

21 SECTION 2. [EFFECTIVE JANUARY 1, 2002] IC 6-3.1-20, as  
22 added by this act, applies to taxable years beginning after  
23 December 31, 2001.

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